ANNUAL REPORT
OF THE
UNEMPLOYMENT INSURANCE
OVERSIGHT COMMITTEE

Indiana Legislative Services Agency
200 W. Washington St., Suite 301
Indianapolis, Indiana 46204-2789

November 2011

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2011

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Unemployment Insurance Oversight Committee

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A copy of this report is available on the Internet. Reports, minutes, and notices are organized by committee. This report and other documents for this Committee can be accessed from the General Assembly Homepage at http://www.in.gov/legislative/.

ANNUAL REPORT

Unemployment Insurance Oversight Committee

I. STATUTORY DIRECTIVE

The Indiana General Assembly enacted legislation directing the Unemployment Insurance Oversight Committee to do the following:

1. Oversee the implementation of unemployment insurance legislation enacted by the General Assembly in 2009.
2. Oversee the administration of the unemployment insurance system by the Department of Workforce Development.
3. Make recommendations to improve the following:
   a. The proper collection of employer contributions and reimbursements.
   b. The determination of eligibility for and the payment of benefits.
4. Monitor the solvency of the fund.
5. Make recommendations to improve the solvency of the fund.
6. Make a report annually to the Legislative Council concerning the solvency of the fund. The report must be in an electronic format under IC 5-14-6.
7. Study and make recommendations concerning approaches taken by other states to improve the solvency of unemployment insurance benefit trust funds, including the indexing of:
   a. Unemployment benefits; and
   b. The taxable wage base.

II. SUMMARY OF WORK PROGRAM

The Committee met to discuss the funding status of the Unemployment Insurance Benefit Trust Fund and hear testimony on possible changes to the unemployment insurance law.

III. SUMMARY OF TESTIMONY

The Committee heard testimony from Mark Everson, Commissioner of the Department of Workforce Development (DWD), who updated the Committee on the funding status of the Unemployment Insurance Benefit Trust Fund.

Representative Ed Delaney discussed the concept of "work share" from HB 1506 of the 2011 legislative session.

George Raymond, Indiana Chamber of Commerce, discussed the following topics with the committee:

1. The repeal of IC 22-4-15-1(c)(7). This provision allows a person who leaves employment voluntarily to follow a spouse to another labor market to collect

unemployment benefits.

2. The mutualization of benefits for reimbursable employers. Currently, if an employee leaves their job during the base period and is hired by another employer that lets the person go, the previous employer funds their unemployment cost on a reimbursement basis.
3. The collection of the overpayment of unemployment benefits by reimbursable employers. Mr. Raymond suggested that reimbursable employers could use more methods to collect unemployment benefit overpayments.

IV. FUND SOLVENCY AND COMMITTEE RECOMMENDATIONS

The number of state unemployment claims is down under 50,000, which is about the number of claims before the current recession. However, 68,000 extended benefit claims are being paid by the federal government. The state of Indiana, along with 34 other states, has made the required interest payment, about $60.4 M, to the federal government. The next payment is due at the end of FY 2012. The surtax on employers to pay the interest to the federal government generated revenue of about $68 M for FY 2011. As of November 3, 2011, the United States Department of Labor shows Indiana owing $1,912,929,883 for advances made by the federal government for unemployment benefits.

During the first nine months of CY 2011, the revenue into the fund has been about equal to the benefits paid from the fund, but since the major portion of the fund's revenue is received in the first nine months of the calendar year, the deficit will probably grow over the final three months. For the first nine months of the calendar year, premium revenue is up about 32% and expenditures are down about 22% compared with the same time period as last year. The current premium and benefit figures are close to what the DWD estimated during the 2011 legislative session.

In addition to increased state premiums, employers also experienced a reduction in their federal unemployment tax credit. The net increase in unemployment insurance premiums paid by employers was 55% when the loss of the federal credit was included.

The 2011 General Assembly changed the unemployment benefits calculation, which will be effective on July 1, 2012. The legislation will change the basis of the calculation of benefits from the highest quarter in the base period to the total wages in the base period. Currently, the calculation is based on the highest quarterly wage earnings in the base period, not to exceed $9,250 in wage credits. The benefit is equal to 5% of the first $2,000 and 4% of the wage credits over $2,000, with a maximum weekly benefit of $390 [$2,000*5%+(9,250-2,000)*4%]. The legislation will change the calculation to equal 47% of the individual average weekly wage for the base period, not to exceed $390.

Based on a 2008 sample of about 230,000 claims during the year, the calculation change would reduce benefit expenditures by about 25%, or about $221 M if based on the size of the CY 2011 payout.[1] With the change in benefits and the increased revenue, the fund revenue should exceed fund expenditures for FY 2013. DWD believes that the trust fund will achieve a positive balance during 2018.

The following chart summarizes the data by calendar year. (CY 2011 includes projections for the final three months.)

CY	Revenue	Benefits	Reed Act	Interest Earned	Ending Balance
2006	$612.0 M	$689.5 M	$4.0 M	$25.1 M	$471.2 M
2007	574.4 M	745.8 M	18.0 M	20.5 M	302.3 M
2008	579.3 M	1,010.4 M	13.1 M	9.2 M	-132.7 M
2009	532.0 M	1,865.3 M	4.3 M	0.4 M	-1,469.9 M
2010	605.7 M	1,072.5 M	0.8 M		-1,937.5 M
2011 (Est'd)	756.4 M	884.0 M	1.0 M		-2,066.1 M

The Committee made no recommendations.

[1]The 2008 claims information was used instead of 2009 or 2010 because 2008 was before the recession and might be a better reflection of claims experience for the next few years.

W I T N E S S   L I S T

Representative Ed Delaney
George Raymond, Indiana Chamber of Commerce
Ed Roberts, Indiana Manufacturers Association